

## **ROLE OF TEAM (TRUST, ETHICS, ALIGNMENT, & MOTIVATION) FOR SUCCESSFUL IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT OF RETAIL STORE CHAINS IN PAKISTAN: A CONCEPTUAL MODEL**

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### **ABSTRACT**

Concept of supply chain management (SCM) is based upon the linking of different stake holders of the whole supply chain. The more coordinated these entities are, the more effective and efficient supply chain would it be. Literature shows that the most important factor for higher coordination among different companies is trust. Starting from inter department trust within the organization it expands to outer boundaries of the organization. It becomes more critical for the success of a whole supply chain when it comes to establishing trust between different organizations. It is also empirically proved through literature that behavioral uncertainties and presence of socially ethical practices are the roots for presence/ absence of trust between two companies. Now, if some organization wants to create a successful supply chain, it has to align itself with the goals of its chain members. For that a certain level of trust establishment is necessary, which requires strong ethical grounds. As, in some cases it might require a huge change in the whole organization from administrative level to cultural level, high level of motivation from the top management is required. In the absence of such motivation there are very few chances for the implementation of SCM in its true spirit. After a series of open ended interviews and detailed literature review, this paper is an attempt to consolidate some soft areas with the combined name of TEAM (Trust, Ethics, Alignment, and Motivation) which as a whole will guide towards a successful implementation of SCM.

*Keywords:* SCM ethics, trust, alignment, top management motivation

## INTRODUCTION

SCM endeavors to align the dependent activities, functions and resources between the different levels of the points of origin and consumption (Svensson and Bååth 2008). Due to its truly strategic nature, successful implementation of SCM has become a source of competitive advantage. Although companies are investing a lot of money to integrate and achieve the success as described by the researchers, only two percent of supply chain integration practitioners claimed any appreciable supply chain success (Moberg, Speh et al. 2003). It is also evident that public and private sectors, especially small and medium enterprises (SME's) have recognized supply chain as an important area to focus on its effectiveness. For SME's cost-effective supply chain is a matter of survival as purchased goods and services account for up to 80 per cent of sales revenue (Quayle 2003).

Retail store chains are increasing in Pakistan day by day, specifically after international chains like Makro-Habib Pakistan Ltd. and Hyperstar started their businesses successfully. Now not only some old retail chains like HKB, some new small and medium sized retail chains have emerged in different business segments. These segments ranges from very specific product range like fashion clothing to very diverse and wide range products. In any of the case the supply chain of any retail store is a very difficult to manage as some of the retail chains offering more than 30 thousand articles and getting them from more than 1300 suppliers. Now to manage all these products and suppliers these organizations need to invest to improve their systems and establish a seamless supply chain. Retail store chain must be not only effective, it must be responsive as well, because for many products customers have a choice to move to some other store. But due to ever increasing tough competition, volatile economic conditions, lack of vision and sometimes because of their small size, these retail store chains find it difficult to make a proper supply chain strategy.

As supply chain management is an emerging field and through research and practical application of different ideas and concepts, more new concepts and buzz words are evolving. Most companies pick any one of those buzz words and try to implement that in the name of SCM implementation. But due to the absence of basic ingredients like high level of motivation and trust these attempts fails miserably.

The intent of this paper is to identify a set of core building blocks for successful supply chain implementation instead of individual buzz words. A supply chain implementation will be called a successful one if it can reduce the cost, improve customer service and create a win-win situation for all the partners of the supply chain. It will be helpful for those retailers specifically who cannot afford to do experimentation. After detailed open ended interviews from supply chain middle and top level executives of retail store chains in Pakistan like ChenOne Stores, HKB and Famous Brands stores and literature review, this paper is introducing a concept of TEAM (Trust, Ethics, Alignment and Motivation) which will help practitioners to focus on all concerned areas while designing strategies for supply chain implementation.

## Literature review

After finalizing from interviews some of the most important factors for supply chain implementation, this study has tried to find out the support from literature about those factors. Following is the discussion about all those factors which are then combined with the name of TEAM to form a model of some soft areas for successful supply chain implementation.

### Trust

It means reliance on another person or entity, having faith in others and believing them. It exists when one party has confidence in an exchange partner's reliability and integrity (Morgan and Hunt 1994). "Trust exists when a firm believes its partner is being honest and benevolent" (Kumar, Scheer et al. 1995) One can define trust as a faith of one trading partner on the other that he will deal ethically, and will not try to take undue favor of the situation (Gefen 2000).

Well established high level of trust and very strong dedication among all the stakeholders of supply chain is required to achieve effectiveness in the supply chain performance. Only established trust would make it possible to share required information on time which is a key to successful implementation of the SCM. There is evidence available in literature that a majority of strategic alliances faced problems and ultimately broken down because of absence of trust between the supply chain members (Sherman 1992). Information sharing is a very critical issue because sometimes companies have to share proprietary and strategic level information with the partners who might become competitor in the future. This shows the importance of trust in the absence of which it is not possible to share any single piece of information, whether it is within the organization or among different companies (Bowersox, Closs et al. 2000).

Supply chain partnership incorporates higher degree of interdependence and due to this, risk and trust becomes very significant for long term relationships and effectiveness of whole supply chain (La Londe 2002). Today information of materials and flow of material replaces its physical existence; in such situations sharing of right information at the right time with the right departments/persons has a strategic importance. Kwon (2005) states that "if information is available but cannot be shared by the partners most able to react to a given situation, its value degrades exponentially."

Managers at every level are striving hard to minimize their costs, improve service levels and enhance productivity. But to enhance productivity and effectiveness not only the strong commitment to work together in the long term but also the presence of mutual trust is necessary. (Morgan and Hunt 1994) Literatures show that one of the biggest impediments to success of supply chains is lack of trust among the supply chain partners. Once trust is established among the supply chain partners it will lead to open information sharing which would be helpful to minimize opportunistic behaviors (Ellram and Cooper 1990). One of the major reasons for huge increase in transaction costs is absence of trust between the trading parties due to which both parties spend a lot of time and resources to inspect and verify each and every transaction. Due to this fact

effectiveness and efficiency are compromised which are the basic cornerstones of SCM goals. (Kwon and Suh 2004)

### **Ethics**

Companies do exist in the market to earn profit for their share holders, but it should not be on the expense of its employee's health, consumers concerns, environmental destructions or damage to the societal values. Rather companies should be investing for the betterment of people, environment and society as a whole.

Corporate social responsibility (CSR) consists of two main characteristics. On one hand it describes the relationship between business and the larger society, and on the other hand it refers to company's voluntary activities in the area of environmental and social issues (McWilliams and Siegel 2001; Hill, Stephens et al. 2003; Carroll and Buchholtz 2008). CSR for individual firms and companies have many well established parameters and guidelines available, but there is very less work available which discusses the CSR covering the whole supply chain. Although some concerns are being raised about some theoretical and managerial ethical aspects of SCM, but so far now hardly any research has been conducted regarding ethical values and standards of corporate thinking and strategies of SCM (Svensson 2009). CSR is no longer the responsibility of any individual organization; now it includes the whole supply chain (Andersen and Skjoett-Larsen 2009).

A partnership model of corporate ethics by Wood (2002) establishes basic parameters for SCM researchers and practitioners. The partnership model guides to concentrate not only within the organization ethics but also development of ethical working model with the external partners as well. By taking this model as a base researchers have worked to establish a supply chain ethics model that not only include direct relationships but also the indirect relationships as well that could be of importance keeping in view the whole supply chain. This model consists of four approaches that may be derived from the relationships of organizations, the industry, the marketplace and the society. It talks about ethical issues for a company's own supply chain with immediate supplier and customer and enhances it to the end supplier and end consumer of its own supply chain. Then it also emphasizes to develop ethical standards for competing other supply chains and the society as a whole. (Svensson and Bååth 2008)

### **Alignment**

Consumer's ever growing demand for low price with high quality of service making it very hard for retailers, manufacturers and distributors to perform their operations with highly cost efficient way with minimum possible lead times. Companies achieving this efficiency target have created competitive advantage for themselves. And to achieve that advantage retailers and manufacturers are bound to break the traditional silos and establish partnerships for seamless flow of goods and information from upstream supplier to downstream consumer.

Today time has proven that supply chains are competing with each other and supply chain management has become a strategic issue for the companies and to get a competitive advantage it is very necessary to successfully implement supply chain strategy (Power 2005). The purpose of the creation of alignment among all the drivers and stake holders of the supply chain is to get a competitive advantage which cannot be duplicated by the competitors (Billington 1994; Anderson and Katz 1998; Birou, Fawcett et al. 1998; Sunil, Meindl et al. 2009). A well integrated and aligned supply chain not only is a source of satisfaction for its end consumers but also for its share holders. Because well aligned supply chains become a source of value creation for its share holders by minimizing costs and maximizing market share. (Lee 2000)

Effectiveness of supply chain is heavily dependent upon information sharing to create alignment among all the stake holders. Companies succeeding in developing such behaviors can provide rapid access to the required information, which enables the company to respond to customer requirements much faster than the competitors (Sezen 2008). Companies now a day's need to be aligned starting from the design stage of the new product and continuing this alignment till the point of consumption by the end consumer. To get this level of integration at a minimum cost and with higher level of accuracy, even though supply chain partners exist in two different parts of the world, we need the help of information technology (IT). Use of IT is radically altering the basis for competing supply chains. IT helps to connect the whole supply chain in a single unit by contributing in the creation of products, services, distribution channels, and links with customers, suppliers and other stakeholders (Van Der Zee and De Jong 1999).

Use of Information technology has revolutionized the business environment and makes it possible to replace the physical inventory with the virtual inventory (Christopher 2000; Graham and Hardaker 2000). Information technology is the biggest enabler for creating seamless alignment within the organization among different functions and outside the organization with all the suppliers and customers. A well aligned supply chain enables the company to compete on the basis of speed and flexibility, while at the same time holding minimum inventory in the whole supply chain (Power 2005).

### **Motivation**

It is the activation or energization of goal oriented behavior. Top management motivation to implement SCM is the top most managerial support factor among the four to achieve the highest levels of supply chain success (Fawcett, Ogden et al. 2006). To get desired level of alignment among the supply chain partners the key factor is to establish very strong top management commitment (Akkermans, Bogerd et al. 1999). Most of the literature focuses on the importance of SCM, need of collaboration and building trust among different supply chain partners for the successful implementation of SCM; however very little has been written about the top management's motivation and commitment levels (Fawcett, Ogden et al. 2006). With the increase in technological advancements, customer interaction has also increased and to fulfill their demands a more responsive supply chain is required. Now, it is also the duty of top management to focus on the supply chain as a whole instead of distinct functional performances (Hausman 2004).

Each and every member of the supply chain, either within the organization or from outside must show commitment to SCM. Appropriate resources should be assigned from across the functional bodies to get maximum output. Now, as only the top management has the authority to allocate, relocate, align and control resources, the maximum motivation and commitment is required from them. But it is not only the duty of top management but all the workers and middle managers should become an active part of it to make supply chain implementation a successful one (Blackwell and Blackwell 1999).

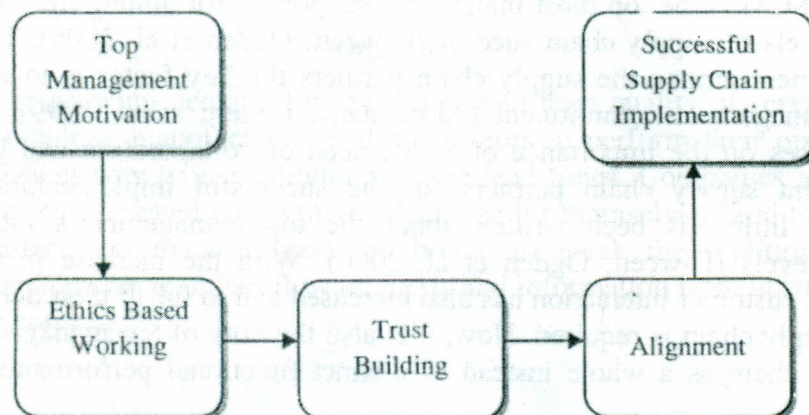
Most projects fails due to the ambitious goals and timing targets. Company executives remain in search of a silver bullet that can bring the results overnight and improves the company's bottom line. The three major lessons learned from an ERP system implementation includes; do not be too ambitious with the timing and expectations for rapid results; ensure accurate alignment between requirements and system functionality; and critical importance of data accuracy. (Moller 2000)

So, it's all about setting real time targets, proper planning, taking a holistic view of the organization, and placing right resources in the right amount and at the right places and above all the patience. This all can happen only if the top management is convinced, self motivated and committed for the implementation of SCM in its true spirit.

### TEAM Model

Much has been written on the need to integrate and align supply chains (Hoyt and Huq 2000; Larkins and Luce 2000; Lee 2000; Frohlich and Westbrook 2001; Power 2005), developing and establishing trust level among the supply chain partners (Morgan and Hunt 1994; Sako and Helper 1998; Bowersox, Closs et al. 2000; La Londe 2002; Kwon and Suh 2004; Lado, Dant et al. 2008), improving company's image as more socially responsible and working on ethical grounds (Rao and Holt 2005; Svensson and Bååth 2008; Andersen and Skjoett-Larsen 2009) and the need of top management's motivation and commitment to supply chain management (Akkermans, Bogerd et al. 1999; Marien 2000; Fawcett, Ogden et al. 2006). However there is no study combining these soft issues or showing interrelationship of more than two of above mentioned areas for any role in the development and implementation of supply chain strategy.

Figure 1. TEAM Model of Soft issues



This model proposes that the spirit of SCM is a seamless process environment in which all stake holders of the supply chain works as partners under a win-win situation. This ideal scenario cannot be achieved without aligning all internal functions and external partners for the achievement of same goal. A well aligned supply chain enables the company to compete on the basis of speed and flexibility, while at the same time holding minimum inventory in the whole supply chain. This will enable the company to get a competitive advantage which cannot be duplicated by the competitors (Billington 1994; Anderson and Katz 1998; Birou, Fawcett et al. 1998; Power 2005; Sunil, Meindl et al. 2009).

The root of integration and alignment is the level of trust present between the supply chain partners. In the absence of trust, no partner will risk to get ahead and all the chain members will lost the benefits from collaboration and cooperation in increasing effectiveness (Sabel 1993) . Once trust is established among the supply chain partners it will leads to open information sharing which would be helpful to minimize opportunistic behaviors (Ellram and Cooper 1990) . And the open information sharing and absence of opportunistic behaviors will create an environment in which everyone will be willing to believe on each other and contribute whole heartedly for the establishment of a seamless working process. On the other hand one of the major reasons for huge increase in transaction costs is absence of trust between the trading parties due to which both parties spend a lot of time and resources to inspect and verify each and every transaction. Due to this fact effectiveness and efficiency are compromised which are the basic cornerstones of SCM goals (Kwon and Suh 2004). It shows the higher the trust level, higher will be the integration and alignment within the supply chain.

Now, with the help of literature it is established that alignment is the key pillar for SCM and trust is the key to establish alignment. After this the next issue is to make it visible that ethics in the organization play a major role to show the tendency of any organization toward trust establishment.

A study of supply chain practitioners reveals that a company's trust in its supply chain partner is highly positively linked with both sides' specific asset investments and negatively with behavioral uncertainty (Kwon and Suh 2004). The behavioral uncertainty is one of the issues of the culture of any organization. And culture becomes the base to show the ethical practices of any organization. A company practicing higher standards of moral and ethical actions and performing its duties regarding corporate social responsibility will have more goodwill in the market and in the eyes of all the stake holders. Goodwill is also a type of trust (Sako 1992), that nourishes the belief that even in the absence of any formal agreements both trading parties will take care of each other's benefits and avoid opportunistic behavior. (Martin 2002). A partner's reputation in the market has a strong positive impact on the trust-building process, whereas a partner's perceived conflict creates a strong negative impact on trust. Another dimension of ethical behavior is fulfilling your contractual obligations with full commitment, which is also a dimension of trust namely contractual trust (Sako 1992).

Other than CSR there are other business practices which are only based on gaining the benefits by hook or by crook. Cox (1999) suggests that "there is a need to approach SCM thinking based around the concept of power and value appropriation." But in the case of SME's it might not be possible, rather they might be the victim of this power rule. Small companies and retailers are forced to provide or pick the items totally on the terms and conditions of the bigger trading partner. Companies working under such condition will always be looking for a chance to get the revenge or the maximum benefit through a deal in which they are not under pressure. They will not be interested to create long term relationships with power oriented companies. So to create high levels of trust a company should have high levels of ethical considerations in their dealings at any level.

Now, all these things are highly dependent upon the decision making authorities, which is definitely top management. This relation is very clearly mentioned in literature (Akkermans, Bogerd et al. 1999; Marien 2000; Fawcett, Ogden et al. 2006), because the type of commitment, resource allocation, and infrastructure required could only be available after the top management willingness. Without top management's motivation and involvement there would be no change in culture and in the absence of ethical practices one cannot establish trust in the eyes of one's partners which is a major hurdle in the establishment of aligning all the processes. Hence ultimately SCM cannot be implemented properly.

#### **Limitations and directions for future research**

This research has focused on the retail chain sector which is flourishing but facing a tough competition as well in Pakistan. A theoretical model of soft issues for successful supply chain implementation has been developed by finalizing them through open ended interviews and then getting support for them through literature review. There is no empirical prove attached with this model. So, in future some empirical research can be done, which can introduce some new moderator and can add or remove any variable out of this model. Second, this research has only focused on the downstream side of the supply chain, which is the retail sector; another dimension of research could be to include upstream partners of the supply chain and check the linkage of this proposed model to their working.

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